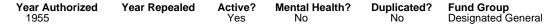
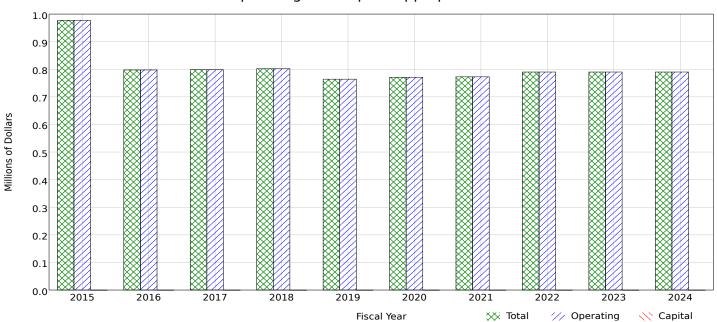
Fund Source Report

1049 Trng Bldg

Training and Building Fund



Operating and Capital Appropriations



Legal Authority

AS 23.20.130, AS 37.05.146(c)(7)

Source of Revenue

Consists of all interest and penalties collected under AS 23.20.185, AS 23.20.190, and AS 23.20.195 which involves interest on past due contributions, penalty for failure to file reports, penalty for nonpayment of contributions to the Unemployment Insurance Fund, and all sums recovered on official bond for losses sustained by the fund.

Restrictions on Use

...shall be expended upon the direction of the Department of Labor and Workforce Development, with the approval of the governor (and subject to appropriation) when it appears to the governor that the expenditure is necessary for but not limited to administration of the employment security act and the acquisition of land or buildings for the department.

Description and History

The Training and Building fund was established under AS 23.20.130(d), that was enacted in 1969 in substantially its present form. The Training and Building funds are derived through the assessment of interest and penalties on unemployment insurance taxes collected from Alaskan employers. The collection of interest and penalties is based on interest on past due contributions, penalty for failure to file reports, and penalty for nonpayment of contributions.

Although the Training and Building receipts are originally deposited in the clearing account of the Unemployment Compensation Trust Fund, they are not part of that fund. Any unobligated amounts over \$100,000 in the Training and Building fund at the end of each fiscal year are transferred to the state's account in the Unemployment Trust Fund.

AS 23.20,130 states that the Department of Labor and Workforce Development, with the approval of the Governor, may spend money from the fund for specified purposes. The implication is that money may be spent without appropriation. That would be allowed if money were appropriated to the fund (rather than deposited without appropriation) but is not currently an option. AS 23.20.130 addresses the issue in an unclear manner, saying only that the fund shall be included in the budget submitted to the legislature.

Per statute, Training and Building funds may be used when it appears that an expenditure is necessary for the following purposes:

- 1. Administration of the unemployment compensation program:
 - a) if federal funds are not available for the specific purpose for which the expenditure is to be made and if the funds do not supplant federal funds.

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- b) if federal funds have been requested but not yet received, and the training and building fund will be reimbursed upon receipt of the requested federal funds.
- 2. Acquiring land and buildings.

AS 23.20.130 goes on to say that use of the fund is not limited to the stated purposes.

Historically, Training and Building funds have been used to enhance unemployment and employment services. Prior to FY99, Training and Building fund money was used in the Unemployment Insurance component to partially fund UI fraud investigations. Since FY99, Training and Building fund money has been used to partially fund rural Employment Security offices.

The statute should be redrafted to provide clarity of purpose and to differentiate between the unemployment compensation fund and the training and building fund, both of which are created in a single section, despite the differences in purposes.

October 2010

The Budget Clarification Project changed this fund code classification from "Other" to "Designated General Funds." The use of this fund is designated in statute; however, use of these funds is at the discretion of the legislature.